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October 2, 2001

Linda J. Morgan, Chairman
Surface Transportation Board
Washington, DC 20423-0001

Re: Letter from Concerned Employees of Wisconsin Central

Dear Chairman Morgan:

By letter dated September 21, 2001, you have asked that Wisconsin Central respond to a letter you received from Wisconsin Central employees expressing concern about recent job actions. Based on my review of the letter, these employees appear to be in our Engineering Department, primarily in the Maintenance of Way division.

In July of 2001, Wisconsin Central announced certain employment actions it was taking in light of both past and present economic conditions. Those conditions are outlined in my letter to employees, a copy of which is attached. As further detail, Stora Enso (formerly Consolidated Paper), our largest customer, effectively had one mill shut down from April to August with further downtime expected. Cleveland Cliffs, located in the Upper Peninsula of Michigan, is the largest mine located on our system. Cliffs shut its mine down for seven weeks in June and July.

In addition to the economic slowdown, the company has also, over the last two work seasons, been adjusting its engineering workforce to compensate for the substantial capital investment we made in our infrastructure over the last several years. One by-product of capital investment is a resulting adjustment in the amount of maintenance needed and, likewise, the number of maintenance employees. In order to reduce the impact of this adjustment on the engineering employees, we have, to the extent possible, shifted people from maintenance work to capital improvement work. Also, we have been able, in many cases, to provide dislocated employees from the engineering department with jobs in the mechanical shops. Thus, by controlling our hiring and maximizing the flexibility to place our people across departmental lines, we have been able to provide jobs to our employees and avoid furloughing. Even in this last adjustment and reduction, the one which prompted the letter from concerned employees, while some employees are clearly not happy with their new assignments, all displaced employees in the Engineering and Mechanical Departments had opportunities to continue their employment with Wisconsin Central. Two people in the Mechanical Department requested temporary furlough in lieu of working in the Engineering Department and their request was granted.

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In addition, in the past, Wisconsin Central has been able to place some of its seasonal construction machine operators in winter jobs in the Engineering Department's Roadway Equipment Shop as mechanics working on generally the same equipment they operate during construction season. This practice is good because it provides year around work. However, this practice can create equity issues when the company is forced to reduce its workforce and invoke its displacement policy. In essence, these employees are holding two separate jobs with separate job postings even though the winter mechanic job requires that the employee be currently holding a position as a seasonal machine operator ready and able to work these machines during construction season. Faced with a reduction in force, the mechanic positions had to be separately posted to allow qualified individuals to compete for those jobs. Further, since some of the machine operators were going to be displaced as part of this process, to be as fair as possible to all seasonal machine operators, whether or not they worked during the winter in the shops, the company rebulletined the winter Roadway Equipment mechanic positions as separate positions, allowing all assigned machine operators the opportunity to bid the positions using seniority.

In order to properly place people in the displacement process, we reexamined the qualifications for each job to assure that they appropriately matched the job and made adjustments where necessary. Where qualifications had changed, such as new mandatory federal requirements, those qualifications were noted. If the individual did not have the requisite qualifications, he or she was not permitted to displace the incumbent.

Invariably, some people were disappointed with this decision and with the jobs they were ultimately offered. As the letter from these employees indicates, training is the key. Some people involved in this process had been offered the opportunity to receive training that, in retrospect, would have afforded them the ability to work a greater variety of positions; others were not. These training decisions were made in response to the needs of the company and the workforce long before the extent of the early summer downturn became apparent. The affect of this, however, has not fallen on deaf ears with the company. We have increased the hours we are devoting to training to allow as many employees as possible to gain the qualifications they need to compete for these jobs in the future. To the best of my knowledge, the Canadian National is as committed to training as is the Wisconsin Central.

The allegations regarding the company's failure to hold meetings to explain the bumping process and to afford people an opportunity to ask questions about the process or about job qualifications is simply wrong. Randy Henke, Vice President-Engineering, held over 10 meetings at both small and large locations on our system, including, Antioch, Illinois; Burlington, Fond du Lac, Appleton, Neenah, Green Bay, Stevens Point, Chippewa Falls,

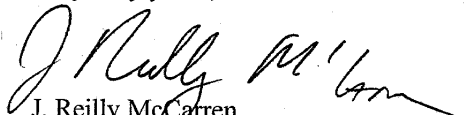
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Park Falls and Ladysmith in Wisconsin; Escanaba, Michigan and Sault Ste. Marie, Ontario, Canada.

Regarding the reference to inconsistencies between my July letter and our parent corporation's August press release, I reiterate that the North American rail operations in the first two quarters of this year were struggling from decreasing carloads and no signs of near term optimism from our customers. While the press release highlights increased revenues, it is important to note that those increases were due to a change in the commodity mix and growth in haulage revenue, although by June we clearly had suffered serious revenue deterioration. The fact remained that our carloadings, which ultimately equate to the number of trains we move, were down and showing no signs of coming back quickly. We were able to keep a positive story for our company through very serious and concentrated cost reductions, some of which were savings in labor costs commensurate with the changes in carloadings and infrastructure maintenance demands.

My obligation as Chief Executive Officer of Wisconsin Central's North American Properties was and is to protect the value of this company for our shareholders until such time as the transaction is consummated and the company is turned over to its new owner. My actions were not merger related. I responded to the economic conditions confronting the company as any CEO would and did so with instructions to my staff to reach their labor reduction goals in such a manner that it would have as minimal an affect as possible on the employees involved. Certainly in the engineering and mechanical department our goal was to reduce our workforce without furloughing anyone and that was accomplished.

Very truly yours,


J. Reilly McCarren
President and Chief Executive Officer

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To: All employees

July 24, 2001

From: Reilly McCarren

I would like to update you on current business conditions. As you may be aware, we have begun to temporarily furlough transportation employees in response to significantly lower traffic volume. While economists debate whether the country is in, or near, or already out of an economic slowdown, here at the Wisconsin Central it sure looks and feels like recession for two of the major industries we serve: paper and steel.

Our quarterly carloading volume tells the story. From January through March of this year we had a modest 2% increase in carloadings compared to first quarter last year. From April through June of this year, carloadings fell almost 9% compared to a year ago. And so far in this quarter, volumes are down significantly, in the double-digit range. And right now we don't see any improvement in the near future.

Paper customers tell us they haven't seen business so bad in more than 20 years. They have experienced a large drop in orders, and are taking steps to reduce costs to minimize their losses. Some producers are coping by shutting down plants for several weeks at a time, and working off unsold inventories. Not only do we suffer from lower paper shipments, we also miss out on inbound raw materials.

The U.S. iron and steel industry has been hit hard. This industry, which never fully recovered from the 1998 import crisis (in a then booming U.S. economy), is suffering again. In the last couple years, around 20 companies have gone bankrupt while others are in a financially weakened state, including some of our customers. The downturn has hit iron ore producers especially hard, which is reflected in lower carloadings for us.

The paper and steel industries account for about 60% of our business. This is the most difficult economic environment our company has seen since startup almost 14 years ago. Here is what we've been doing to minimize the impact on our people:

- First, we have done very little hiring this year. We felt the responsible approach was to not hire in uncertainty, rather than risk hiring followed by layoff. But it has meant several departments have struggled to get their work done with fewer people. We greatly appreciate their efforts.
- Second, in the Engineering and Mechanical departments, we're shifting people to capital and billable projects in order to keep as many employees as possible working. So, for some, their job or work location has changed. Thus far, we have avoided furloughs in these departments.
- Third, we are adjusting train operations. Total volumes are much lower, but not evenly across the system. As traffic flows have shifted, we need to make changes to how, when, and where we operate our trains, in order to remain as cost-efficient as possible. Regrettably, this results in fewer train starts and the temporary furloughing of conductors and engineers.

The sooner the economy starts improving and we see a return of business volumes, the sooner we will be able to recall our furloughed employees.

On a more positive note, your recent safety record is outstanding and I applaud you. If we can stay focused on safety and maintain that record, we just might be eligible for the Harriman Award!

Sincerely,